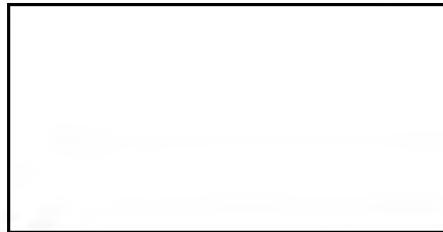


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*USSR: The TASS summary of Khrushchev's report to the 22nd Party Congress on 17 October contained a generally moderate and routine restatement of established Soviet foreign and domestic policies. His formal and specific withdrawal of the year-end deadline for signing a German peace treaty probably was intended to meet Western objections to negotiating under pressure of threats of unilateral action. His positive assessment of Gromyko's recent talks with US and British leaders and his reaffirmation of the USSR's readiness to seek a "mutually acceptable and agreed settlement through talks" were also aimed at opening the way for formal negotiations on Berlin and Germany. He specified, however, that a German settlement cannot be "postponed endlessly" and repeated that a German peace treaty will be signed with or without the western powers.

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Khrushchev claimed that the "forces of socialism" are stronger than the "aggressive imperialist forces," and warned against the dangers of a "positions of strength" policy. This reflects his confidence that the West can be induced to grant concessions which the USSR could represent as marking a fundamental change in the status of West Berlin.

Although Khrushchev repeated the major ideological positions which were the targets of Chinese Communist attacks in 1960, his restraint in discussing these issues, and his gestures according the Chinese delegation headed by Premier Chou En-lai a special position, indicate the Soviet leader's desire to maintain the uneasy truce worked out at the Moscow

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conference of world Communist leaders in November 1960. However, Khrushchev's unprecedented attack on the Albanian leaders for rejecting the 20th Soviet Party Congress condemnation of the "cult of personality" will place the Chinese in the difficult position of either having to support the Albanians or acquiesce in Khrushchev's attack.

Khrushchev contended that events had confirmed the correctness of the policy lines adopted by the 20th Party Congress in 1956, and claimed that the chief results of the party's policy had been the prevention of war. He saw a "prospect of achieving peaceful coexistence for the entire period in which the social and political problems now dividing the world will have to be solved." In addition, he reaffirmed the point laid down by the 21st Congress in 1959, which drew strong Chinese objections, that "it may actually be feasible to banish world war from the like of society even before the complete triumph of socialism on earth, with capitalism surviving in part of the world." Khrushchev also listed continued adherence to the "principles of peaceful coexistence" as the primary task confronting the Soviet party, with the maintenance of bloc unity listed second.

In the economic section of his speech Khrushchev appears to dampen Soviet consumer hopes for a sharp improvement in living standards as the Soviet Union "builds communism." He strongly emphasized that heavy industry would play the "decisive role" in creating the material base for communism and his remarks on consumer welfare lacked the conviction of earlier promises.

According to Khrushchev, gross industrial production increased almost 80 percent from 1956 to 1961. This indicates that industrial production in 1961 will be between 8.5 and 9 percent, somewhat below the 10 to 11 percent annual increases announced in recent years, but in line with the increase planned for 1961. He also declared that the Seven-Year Plan (1959-65) would be overfulfilled.

Khrushchev was less optimistic than he has previously been about agricultural prospects. He claimed that grain

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procurement was well above that of the past two years but still somewhat below the deliveries in the 1958 record harvest year. He did not, however, commit himself to a total harvest figure for 1961.

Khrushchev's public criticism of Albania climaxes more than a year of steadily deteriorating relations with that country. Khrushchev asserted that he would never compromise with Albania's opposition to Soviet efforts to eliminate the "cult of the individual"--a reference to the continued Stalinist adulation rendered Enver Hoxha's one-man dictatorship in Albania. Khrushchev avoided arguing other differences with Albania, although there is little doubt that they are unresolved. His use of the issue of the "cult of the individual" and his promise that the Soviet Union would "do all in its power" to keep the Albanians in the bloc, indicates that Khrushchev's aim is to overthrow the present Albanian leadership rather than to read Albania out of the bloc.

Khrushchev renewed the attack on the anti-party group in the USSR, which has long since been ousted from power, and for the first time publicly named Marshal Voroshilov--former titular chief of the Soviet state--as the seventh member of the group which had sought to unseat him in 1957.

He further stated that the "elaboration" of a new state constitution is about to begin. Work on a revised basic law has evidently been under way for more than a year, and a draft may be ready for publication before the end of 1961. All signs at present point to a constitution which is little more than a legal reflection of the new party program.

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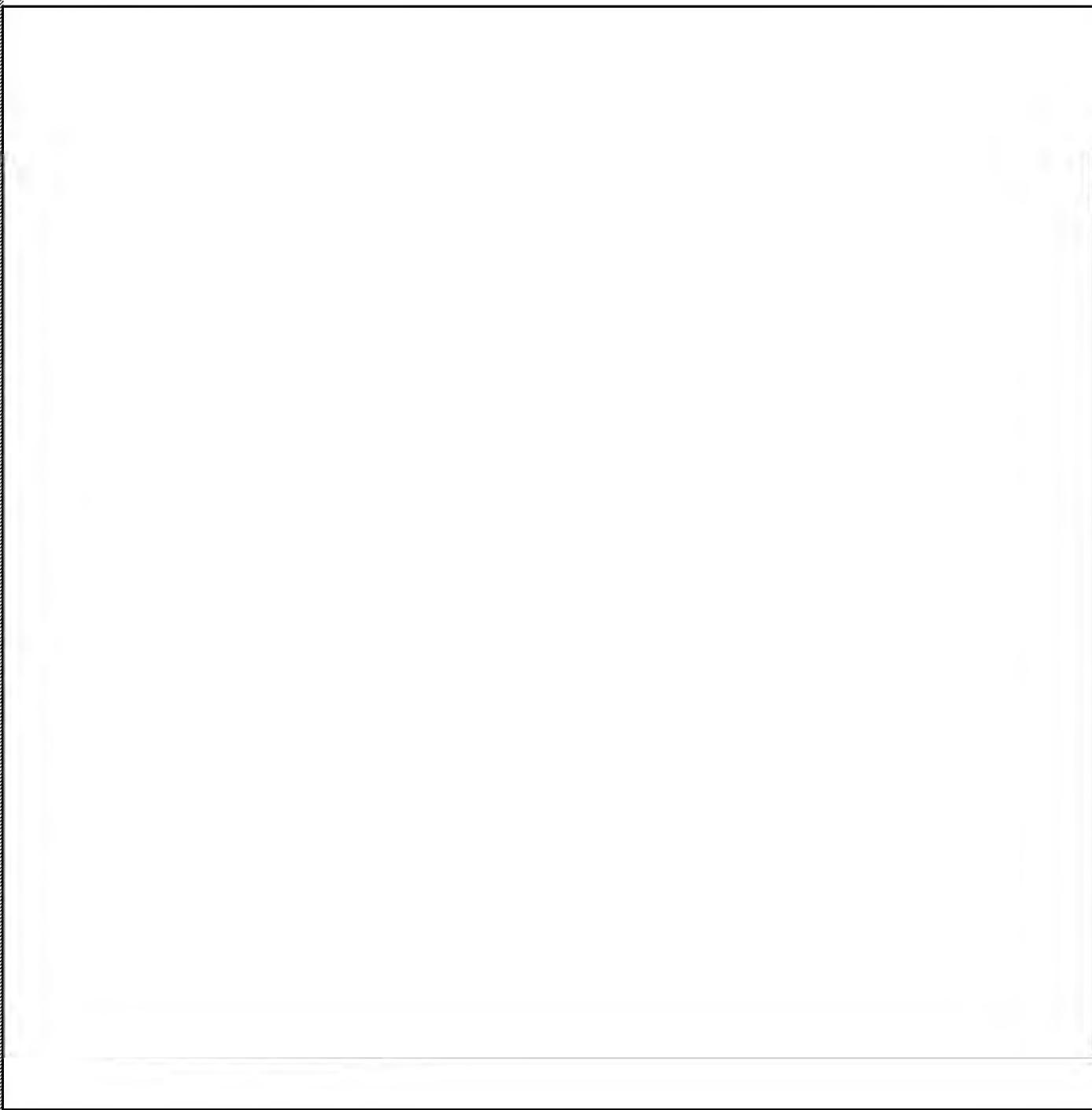
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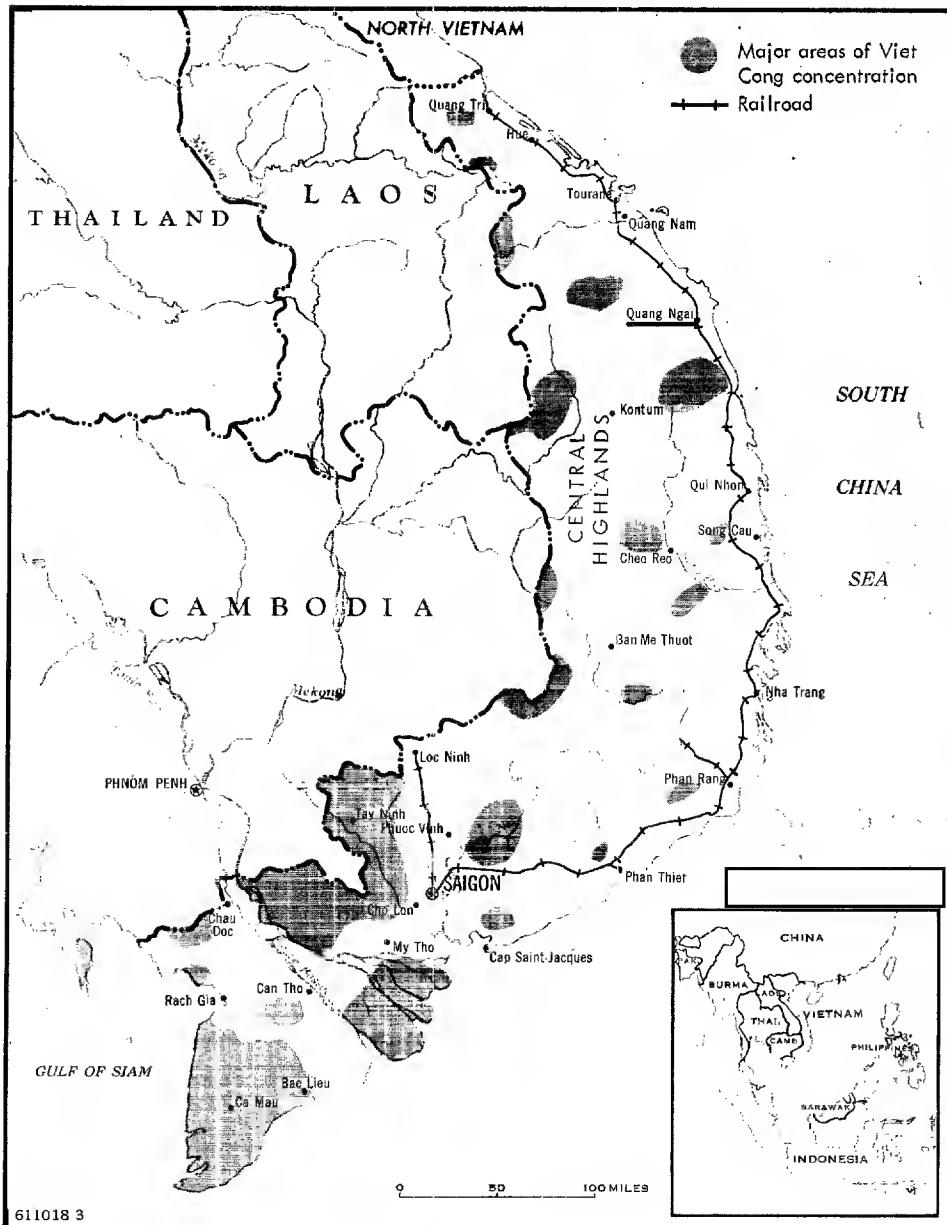
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Communist Guerrilla Activity in South Vietnam



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South Vietnam:

with the advent of the dry season in a few weeks, South Vietnam will enter a "now or never" fight with the Communist guerrillas and that further countermeasures must be taken against the Viet Cong.

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since the Laotian and Cambodian borders cannot be sealed against Communist infiltration, other means are needed to relieve Viet Cong pressure in the South.

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[redacted] in connection with General Taylor's visit, the Viet Cong has ordered increased attacks on villages and army units and grenade attacks on Americans in Saigon.

[redacted] In an estimate which we can neither confirm nor deny,

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[redacted] the Viet Cong now fully controls about 10 percent of the country's 2,700 villages; that 30 percent of the villages "genuinely" support the Diem regime; and that the remaining 60 percent are generally anti-Communist, but "more or less" under Viet Cong influence in economic, political, and propaganda matters.

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*Algeria: European mob attacks on Moslems in Oran on 17 October, following several days of smaller Moslem-European clashes, could provoke Moslem retaliation throughout Algeria. The US consul general in Algiers feels that Moslem restraint in the face of European bombings and mob action has been the principal reason that general violence has not already erupted in Algeria. The European attacks, probably encouraged by the anti - De Gaulle Secret Army Organization, also increase the likelihood that the nationwide Moslem demonstrations scheduled by the provisional Algerian government for 1 November will result in racial clashes extensive enough to require intervention by the French Army.

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Brazil: According to the American Embassy in Rio de Janeiro, Finance Minister Moreira Salles is extremely concerned over Brazil's short-term financial situation and over the fact that Brazil has not yet received most of the aid which the International Monetary Fund, the US Treasury, and the Export-Import Bank had agreed to provide the Quadros government. Salles--a proponent of financial soundness and of pro-Americanism in Brazil--said that he might have to give up his post as hopeless within 15 days. He reported a conversation with President Goulart on 13 October in which Goulart said he knew that President Kennedy thought he might be a Communist but that this was not so. Goulart said he would remove officials and change public statements if necessary to prove otherwise, but that he could not do this if the United States went back on its economic aid commitments. [Prime Minister Neves reportedly also believes that improved relations with the United States are necessary]

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Ecuador: President Velasco, who is facing increasing unrest following the break-up of the truce in the general strike, is apparently considering closing congress and assuming dictatorial powers. The minister of defense and the mayor of Guayaquil, Ecuador's commercial center, are said to be the chief proponents of such action. The US army attaché believes that some elements of the army might balk at supporting a Velasco dictatorship but that at least the army's top leadership would probably go along. The arrest on 15 October of two well-known opposition

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deputies is likely to provoke a showdown between congress and the President and to consolidate opposition elements. The American Embassy in Quito notes that the period until 7 November when congress normally recesses. will be critical.

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The Director of the Budget

The Director, Office of Civil and Defense Mobilization

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The Department of State

The Secretary of State

The Under Secretary of State

The Director, International Cooperation Administration

The Deputy Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Administration

The Counselor and Chairman of the Policy Planning Council

The Director of Intelligence and Research

The Treasury Department

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The Under Secretary of the Treasury

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

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The Secretary of the Air Force

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Commander in Chief, Pacific

The Director, The Joint Staff

The Director for Intelligence, The Joint Staff

The Assistant Chief of Staff for Intelligence, Department of Army

The Director of Naval Intelligence, Department of Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

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